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Report Highlights:

The Republic of Croatia is at its final stage of negotiation with the European Union (EU) for the accession to the EU. It is estimated that Croatia could enter the EU at the beginning of 2012. According to some press reports The European Commission has prepared a financial package under which Croatia, once it joins the European Union, would be annually entitled to some € 800 million from the EU budget for agriculture, rural development and fisheries.

General Information:

The Republic of Croatia is at its final stage of negotiation with the European Union (EU) for the accession to the EU. It is estimated that Croatia could enter the EU at the

beginning of 2012. The negotiation process is expected to finish by the end of 2010 when the Accession Treaty should be drafted and ratified. Procedure of the ratification of the Accession Treaty can take up to one year because it has to be ratified by all of the member states of the Union, as well as the institutions of the Union, and the candidate country.

Croatia started this long process in 2001 with signing the Stabilization and Association Agreement with the EU and the EU member states. On February 25, 2003, Croatia formally presented its EU membership application and on October 3, 2005 Croatia began negotiations for the accession. At that point the analytical overview and evaluation of the degree of harmonization of national legislation with the *acquis communautaire* (the term *acquis communautaire*, or (EU) *acquis*, is used in European Union law to refer to the total body of EU law accumulated thus far), known as screening began. After screening was completed, the negotiations for individual chapters started. Out of 35 negotiating chapters to this day Croatia opened 28 and closed 17 chapters while 31 chapters have passed the stage 7 (sending the Croatian negotiating position to the EU) out of 13 stages.

The Agriculture and Rural Development Chapter (chapter 11) and the Food Safety, Veterinary and Phytosanitary Policy Chapter (chapter 12) were officially opened on the October 2, 2009. However, Croatia was working in meeting EU standards in these chapters long before they were officially opened, which is a standard procedure for all negotiating chapters. Currently the Fisheries Chapter (chapter 13) is blocked by Slovenia. Nevertheless, this blockade is expected to be lifted soon and chapter 13 should be closed shortly after official opening. Chapter 11 and chapter 12 are expected to be closed in the second part of 2010.

According to the Commission of European Communities last progress report for Croatia ("Croatia 2009 Progress Report") in the agricultural chapter (chapter 11) Croatia made progress in collection and processing of agricultural data, in common market organization and in rural development. Furthermore, it is said that alignment continued in the field of quality policy and organic farming. However, it is stressed that overall preparations are moderately advanced because Croatia still needs to do the following: adjust legislation and structures regarding *acquis* for wine, establish functioning Paying Agency and Integrated Administration and Control System (IACS) as well as Land Parcel Identification System (LPIS), further align the support schemes with the Common Agricultural Policy (CAP) to prepare for a smooth transition to the CAP and improve the absorption capacity of the EU funds for rural development. In addition, it is said that good progress has been made in the chapter 12, in particular with the passing of implementing legislation (the Food Act, regulations under the Veterinary Act, etc...)

and its implementation (reorganization of veterinary inspection, identification of animals and tracking their movements, etc ...). However, it is also said that continued efforts are required to finalize transposition and implementation of the EU *acquis*, in particular regarding implementation of the national program for the upgrading of establishments for food and feed of animal origin and the securing of the necessary administrative and control capacity. Although Croatia is praised for the progress in the fisheries chapter it is added that more effort is needed for closing the remaining gaps in the areas of fleet management, inspection and control, structural action and state aid.

As it can be seen these negotiations are more targeted at Croatia reaching EU standards then really negotiating for certain concessions. On the other hand, there are real negotiations in the domain of the level of agricultural subsidies, production quotas for sensitive products (milk, wine, sugar, etc...) and grace period for the sale of agriculture land to foreigners. It should be mentioned that grace period for the sale of agriculture land to foreigners is not in the domain of negotiations of "agricultural" chapters but under the Free Movement of Goods Chapter (chapter 4). Nevertheless, it is speculated that Croatia has asked for 12 years grace period on the sales of agricultural land to foreigners although the actual number of years that Croatia will get is still to be negotiated.

According to some press reports the European Commission (EC) has prepared a financial package under which Croatia, once it joins the European Union, would be annually entitled to about € 800 million from the EU budget for agriculture, rural development and fisheries. However, the EC's financial proposal first has to be endorsed by EU member states. Nevertheless, under the proposal, Croatia would be able to draw € 373 million of direct payments for farms, € 352 million for rural development, and € 37 million for fisheries. Like all other EU newcomers, Croatia will not be able to draw the entire amount in the first year of its membership. This sum will increase gradually. For the direct payments, in the first year of its EU membership, Croatia will be able to draw 25 percent of the € 373 million. Funds to be drawn will then increase to 30 percent and to 35 percent of the amount in the third year of Croatia's EU membership, after which they will increase annually by 10 percent until the total amount is reached. When it comes to rural development, it has been proposed that Croatia should draw the entire annual amount of € 352 million as early as in 2014. However, Croatians and the EC officials were conducting negotiations to make it possible for Croatian farmers to receive the entire annual amount of EU funds already as of the first year of Croatia's EU membership, which would be achieved by covering the difference from the Croatian budget. As for the production quotas for milk, Croatian quota will probably be about 750 million liters, which is, according to Croatian negotiators, satisfactory.

